

**MSHDA OFFICE OF COMMUNITY DEVELOPMENT
APPLIANCE CONSIDERATIONS FOR OCD FUNDED PROJECTS
JUNE 2004**

MSHDA's Office of Community Development provides funding for a variety of affordable housing programs throughout the state ranging from the development of for-sale housing to the rehabilitation of existing owner-occupied housing. Often in the development or rehabilitation of housing, OCD grantees are required to supply certain appliances in order to meet minimum Housing Quality Standards established by MSHDA and HUD. It has become apparent, however, that OCD's expectations about which appliances are required, which may be allowable under certain circumstances, and which are ineligible project costs need to be more clearly communicated and consistently implemented.

The purpose of this document is to provide further clarification of OCD's policy on required, allowable, and ineligible appliance purchases for different program types and to provide guidance on determining how to select specific appliances for purchase when appropriate. Grantees are reminded, however, that the costs of including appliances in an OCD assisted project need to fit within standard funding limits. Nothing in this guidance is intended to suggest that higher per-project funding limits will be allowed because appliances are needed.

Required Appliances: With the limited exception of Homeowner Emergency Repair projects, all housing projects undertaken by OCD are required, upon completion, to meet, at a minimum, Section 8 Housing Quality Standards (HQS). HQS requires that all housing units be provided with an adequately sized refrigerator and range/oven that is in proper working condition.

- **As a result, the only required appliances are a refrigerator and range/oven. These also represent the only "stand alone" appliances that are ever eligible for OCD assistance.**

Allowable Appliances: Several other appliances may be allowed within certain program models. Such appliances must be permanently affixed to the property and hard-wired. Allowable appliances include:

- Range hoods are typically allowed in any project type and, within a certain context, may be required by HQS. When a kitchen is not otherwise provided with adequate ventilation to disperse moisture and fumes from cooking, a range hood would typically be required to meet HQS.
- Garbage disposals are not fundamentally required by HQS but are typically included in Acquisition/Development/Resale (ADR) projects for purposes of both function and marketability. While many Homeowner Rehabilitation programs may choose not to regularly include garbage disposals, the replacement of garbage disposals or installation of garbage disposals is allowable in all program models.
- Garage door openers may not often be thought of as appliances. However, they too are often seen as critical to the marketability of ADR new construction projects. And in some cases for households with mobility limitations or homes with large/heavy garage

doors and young children, garage door openers may in fact be items that improve the safety of the home to its occupants.

Several other appliances may be allowed as a part of ADR projects. Grantees should carefully balance costs associated with added appliances/amenities with the need for such projects to be marketable, to fit into the existing neighborhood, and, often, to help push the market in a distressed neighborhood (see the Suggested Site Amenities for ADR Projects attachment for further discussion of the issues to consider). The list of allowable appliances shown below, however, are not generally considered allowable for Homeowner Rehabilitation and Homebuyer Purchase Rehabilitation (HPR) projects unless there is a clearly documented medical need among household members that requires the inclusion of such items in the scope of rehabilitation.

The following appliances are generally allowable only for ADR projects or project where there is a specific medical need for such items:

- Integrated microwave hood/fan units are allowable as a marketability enhancement for ADR projects. While these units increase the construction cost, many ADR kitchens are fairly small, and combining these features may be a good design solution, especially in new construction. These units are not eligible for HPR or homeowner rehab (where marketability is not an issue, and retrofitting to rehab is likely to be more expensive.)
- Dishwashers that are hard-wired and hard-plumbed. Portable dishwashers designed to be connected to the kitchen faucet only when they are being run are not permanently affixed and therefore not eligible under any circumstance.
- Central air conditioning systems may be allowed, but window units are personal property and are not eligible. Some grantees have found that with highly energy-efficient homes, the need for a central air conditioning system is generally eliminated since such homes' insulation and window coatings often do an adequate job of avoiding excess heat buildup. Geography is also a factor as many portions of the state are less likely to experience significant periods of high heat and humidity.

Ineligible Appliances: Generally, unless they are specifically included as required or allowable appliances, other appliances are considered ineligible project costs. Grantees with proposals for other appliances not covered in this guidance should consult their CD Specialist in advance before including additional items in the scope of their projects. With the exception of a refrigerator and range/oven, any items that are considered personal property rather than permanently installed fixtures are not allowable. Notwithstanding, Rental Development projects that will be owned and operated by OCD grantees may consider including washers, dryers and microwaves as eligible furnishing costs in the development budget subject to the availability of funding.

For Homeowner Assistance, Rental Rehabilitation, and Homebuyer projects, the following items are specifically ineligible appliances:

- Clothes washers and dryers are ineligible costs in OCD funded projects.
- Counter-top Microwaves are ineligible costs in OCD funded projects.

Cost and Quality Considerations: In choosing specific models from among the list of required and allowable appliances, grantees are reminded of Policy Bulletin #10's statement that "eligible items... [do not include] luxury items [or those] of a quality above what is normally required." In short, while a refrigerator may be a required item, grantees need to be conscious of the overall cost of the specific model they provide. At the same time, grantees should not necessarily look for the least expensive model available as many low-end appliances are not of high quality and may be inefficient and therefore more costly to operate over time. Additionally, whenever appliances are being included in the scope of a project, MSHDA expects grantees to purchase new appliances.

A "best practice" when selecting appliances is to consult the listing of *Consumer Reports*' "Best Buys"—which are judged to be good overall values when both cost and quality are considered—and to look for items which are also *Energy Star* rated since energy-efficient appliances will be more affordable to operate over time. Grantees who select appliances based on such a review of these quality and value factors will typically find that they are purchasing mid-range appliances that are neither the least nor the most expensive available.

Program Guidelines: There is a great deal of flexibility about which appliances are included in a given local program from among the list of allowable appliances. For Homeowner Rehabilitation and HPR programs, it is particularly important the grantee's local guidelines clearly establish under what conditions appliances will be included in the scope of rehabilitation. Additionally, guidelines should clearly outline the means of determining which specific appliance will be allowed and how involved the property owner will be in picking the items. OCD would expect that when property owners are allowed to pick specific models, they are also given the option to contribute their own funds toward desired "upgrades" beyond the cost allowed by the program. For example, a local program may require that homeowner rehabilitation clients choose from a list of three approved refrigerators but allow the family to pay the difference to upgrade to a different model or to pay for the increased cost of a different color model, the inclusion of an ice-maker, etc.